

The Treasury

Briefing to the Incoming Minister for Infrastructure

December 2020

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TE TAI ŌHANGA
THE TREASURY

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Contents

1	Your responsibilities, and how the Treasury assists you.....	2
1.1	Your responsibilities and key opportunities to influence.....	2
1.2	Key Treasury contacts.....	4
2	The New Zealand Infrastructure Commission – Te Waihanga.....	5
2.1	Making better infrastructure investment decisions through the development of a long-term national infrastructure strategy	5
2.2	Delivering greater certainty in the infrastructure pipeline	6
2.3	Lifting the performance of procurement and the delivery of major infrastructure projects.....	6
2.4	Respective roles relating to infrastructure advice	7
3	Matters of current interest.....	8
4	Upcoming key decisions and issues.....	9

1 Your responsibilities, and how the Treasury assists you

This briefing provides you with an overview of your role as Minister for Infrastructure. Further briefings will be provided on specific topics, guided by your priorities.

The Infrastructure portfolio plays an important role in the wellbeing of New Zealanders. Infrastructure refers to the fixed, long-lived structures that facilitate the production of goods and services. Infrastructure includes buildings and physical networks, principally transport, water, energy, communications, and capital-intensive investments that central government is responsible for, such as schools, hospitals and prisons.

We need appropriate infrastructure system settings and frameworks to encourage resilient, quality infrastructure that will improve our living standards. These system settings include the planning, procurement, and investment related to infrastructure. High-quality, effective infrastructure supports growth, improves wellbeing, generates jobs, and is an important contributor to lifting national productivity.

New Zealand's infrastructure is facing a number of challenges, including the need to renew ageing infrastructure, the pressures of an urbanising population, tight fiscal constraints, changing technology, the effects of climate change, and the increased pressure on our natural resources. The COVID-19 pandemic has exacerbated these pressures.

1.1 Your responsibilities and key opportunities to influence

As Minister for Infrastructure, you have the opportunity to improve outcomes for New Zealanders by guiding the strategic context for infrastructure investment. Your role is to ensure that the long-term infrastructure strategy and system settings for infrastructure deliver on the Government's objectives. You also have a role in ensuring that the infrastructure sector has the capacity and capability to deliver infrastructure projects efficiently and effectively.

The Infrastructure portfolio is primarily a strategic role in that you currently do not have direct responsibility for delivering individual infrastructure projects. Statutory responsibility for infrastructure issues in particular sectors, for example transport, energy or water, sits with the relevant portfolio Minister. You will need to engage with your Ministerial colleagues to ensure that infrastructure activities across their portfolios are aligned to deliver the long-term infrastructure outcomes the Government is seeking.

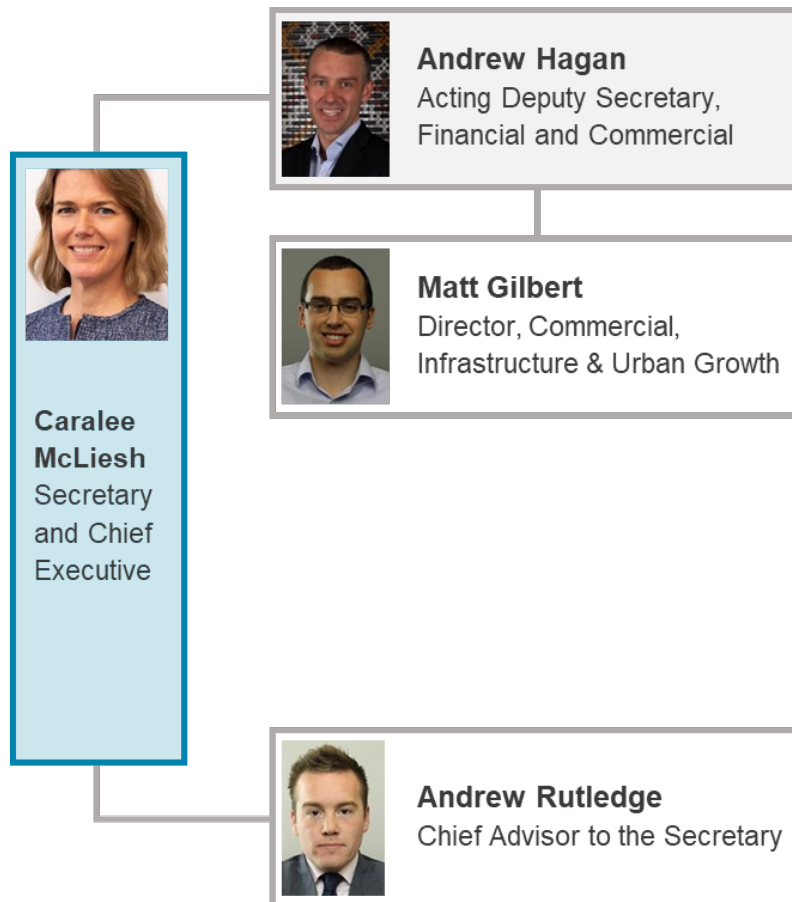
The New Zealand Infrastructure Commission – Te Waihanga will provide you with strategic infrastructure advice to support your discussions with your colleagues. Te Waihanga also provides support and advice to infrastructure projects, to ensure that infrastructure investment across the public sector, and local government, is delivered well.

There are important links between your Infrastructure and Finance portfolios given the fiscal significance of many infrastructure decisions. As Minister of Finance, you are also responsible for oversight of the investment management system, of which infrastructure investment is one part.

Your key responsibilities, as Minister for Infrastructure, are:

<p>New Zealand Infrastructure Commission – Te Waihanga</p>	<p>Te Waihanga is an autonomous Crown entity. Its primary functions are long-term strategy and planning for infrastructure, as well as procurement and delivery advice and support for major projects.</p> <p>The Treasury monitors the performance of Te Waihanga and supports you in your role as responsible Minister under the Crown Entities Act 2004.</p>
<p>Utilities Access Act 2010</p>	<p>The Utilities Access Act governs the National Code of Practice for Utility Operators’ Access to Transport Corridors (the Code). The Code provides a nationally consistent and cooperative framework for corridor managers and utility operators to manage transport corridors, while also providing for the access rights of utility operators.</p> <p>You must approve any amendments to the Code, and you receive annual reports on the performance of the Code from the New Zealand Utilities Advisory Board.</p> <p>The Treasury advises you on this.</p>

1.2 Key Treasury contacts



2 The New Zealand Infrastructure Commission – Te Waihanga

Te Waihanga was established in September 2019 by the New Zealand Infrastructure Commission/Te Waihanga Act 2019 to fill a gap in how New Zealand plans, coordinates and delivers infrastructure. A reactive, piecemeal approach to infrastructure had led to a fragmented system where decisions sometimes lacked a sound evidence base. Its establishment was also motivated by the need to take a long-term view that is commensurate with the lifespan of infrastructure assets and the services they provide to New Zealanders.

Te Waihanga's main statutory obligation is the delivery of a national infrastructure strategy within two years of commencement of this legislation. Its three broad objectives are detailed further in the sub-sections below.

As an autonomous Crown entity governed by a board of directors, Te Waihanga can be directed to have regard to Government policy but cannot be directed to be bound by it. We expect Te Waihanga will use this ability to form impartial advice on infrastructure matters.

Te Waihanga has recently completed its first year in operation and has delivered its first Statement of Performance Expectations and Statement of Intent 2019-2024. These documents indicate that Te Waihanga will continue to focus on the delivery of the 30-year infrastructure strategy, including undertaking an Infrastructure Needs Assessment.

Te Waihanga will provide you with further advice, including a Briefing as an Incoming Minister, to help you deliver your infrastructure programme. As the monitor of Te Waihanga, the Treasury will engage with you to understand your preferences for regular reporting on the performance of the entity.

2.1 Making better infrastructure investment decisions through the development of a long-term national infrastructure strategy

The long-term infrastructure strategy, led by Te Waihanga, will be a document that sets out a framework for New Zealand's infrastructure needs. It will not just be focused on projects, but will also suggest changes to institutional and policy settings that will enhance infrastructure outcomes. This will involve identifying any current or expected infrastructure gaps and developing a response to these opportunities. This response could include scenario planning to address distinct future pathways.

The strategy will cover a 30-year period and be provided at least every five years. In developing the strategy, it is important for a consensus to be built on the long-term vision for infrastructure and the outcomes New Zealanders want to achieve.

Te Waihanga is required to provide you with a draft of the first strategy by no later than September 2021 for your feedback. You can seek feedback on the infrastructure strategy from several portfolio Ministers who have statutory responsibilities for infrastructure issues within their portfolios.

Te Waihanga is required to have regard to any comments you make and will then publish a final version of the strategy no later than 90 days after receiving your comments. You are required to table the final version of the strategy in Parliament, and the Government must respond to the report within 180 days.

The Government's response to the strategy will be an opportunity for you to outline which parts of the strategy you accept, and intend to adopt, forming the Government's official infrastructure strategy.

2.2 Delivering greater certainty in the infrastructure pipeline

The purpose of the infrastructure pipeline of near-term infrastructure projects is to provide greater certainty to the market and identify opportunities for collaboration across sectors. It should also improve market capability as investment in skills and training, and plant and equipment can be planned.

Currently the pipeline shows what central and local government are spending on infrastructure, where and when. This data is provided by sector, project, project status and location, as well as intended project phasing. This pipeline information is provided to Te Waihanga by central and local government procuring agencies. There is the opportunity for you to increase the breadth of the infrastructure pipeline by encouraging Te Waihanga to work with the private sector and provide a whole-of-market view.

2.3 Lifting the performance of procurement and the delivery of major infrastructure projects

Te Waihanga provides major project advisory support to government agencies who are delivering infrastructure projects. This occurs when investments are greater than \$50 million, or where innovative approaches to procurement and alternative financing arrangements are being considered, as detailed in Cabinet Office Circular CO (19) 6 'Investment Management and Asset Performance in the State Services'.

Procurement and delivery advice and support functions also include supporting procuring agencies in the preparation of business cases, supporting market engagement activities and bolstering project governance. There are opportunities for Te Waihanga to work more with central and local government to lift the performance of procurement in major infrastructure projects. As infrastructure projects are delivered by several portfolio Ministers, Te Waihanga will have a role in supporting both you and your colleagues to procure and deliver projects effectively.

2.4 Respective roles relating to infrastructure advice

Te Waihanga is the Government’s primary advisor on infrastructure, a role previously carried out by the Treasury. The Treasury’s role in infrastructure advice is to provide second-opinion advice on infrastructure-related issues to you in your capacity as the Minister of Finance, consistent with the Treasury’s role in relation to other sectors.

The Treasury is also the monitor of Te Waihanga. The key functions of Te Waihanga and the Treasury in relation to infrastructure are outlined in Table 1 below.

Additionally, the Treasury, through the Investment Management and Asset Performance (IMAP) team, remains the leader of the government’s investment management system and is responsible for developing and maintaining the integrity of the system as a whole. This role includes oversight of the Better Business Case process and asset management across the public sector, and ensures that all investment decision-making across the public sector, including infrastructure investment, is robust, transparent, effective and efficient.

Table 1: Roles relating to infrastructure advice

Te Waihanga role	
Strategy and planning	Major projects support
<ul style="list-style-type: none"> • Providing advice to Government on infrastructure matters • Developing New Zealand’s long-term infrastructure strategy • Providing reports relating to infrastructure as directed by the Minister for Infrastructure 	<ul style="list-style-type: none"> • Acting as a ‘shop front’ for the market and publishing a pipeline of infrastructure projects • Producing best-practice guidance on infrastructure procurement and delivery • Supporting infrastructure project procurement and delivery
Treasury role	
<ul style="list-style-type: none"> • Acting as secondary advisor on infrastructure to the Minister of Finance, including infrastructure-related matters across all portfolios • Providing advice to Ministers in response to infrastructure recommendations put forward by Te Waihanga, in particular the long-term infrastructure strategy • Providing vote and other economic and financial advice relating to infrastructure • Leading the government’s investment management system • Monitoring Te Waihanga’s performance 	

3 Matters of current interest

We consider there are three key areas of immediate focus in relation to New Zealand's infrastructure: the delivery of existing infrastructure investment programmes, changes to three waters service delivery, and the reform of the resource management and planning system.

You may wish to seek advice on these topics from Te Waihanga, as your primary advisor on infrastructure matters, to discuss how to advance your priorities in these areas.

- As Minister for Infrastructure you are involved in the governance of **two existing infrastructure investment programmes**:
 - The **New Zealand Upgrade Programme (NZUP)** is a \$12 billion capital investment package to provide for investment in roads, rail, hospitals, schools and the regions. As the Minister of Finance you are responsible for oversight of the programme as a whole, while specific portfolio Ministers are responsible for projects within their portfolio.
 - The **Infrastructure Reference Group (IRG)** identified infrastructure projects that were ready (or near ready) for construction. A number of these projects have now received funding as part of the infrastructure stimulus package and are at different stages of commencing or recommencing construction. You are responsible for decisions on and the monitoring of these projects, alongside the Associate Ministers of Finance. Treasury has led advice to Ministers on the overall IRG process and can provide you with an update on progress on IRG projects.
- The **Three Waters Reform Programme**, led by the Minister of Local Government, is aimed at addressing significant underinvestment, fragmented regulation, and a lack of oversight in New Zealand's three waters (wastewater, drinking water and stormwater) sector. The current focus of the Reform Programme is the service delivery arrangements of New Zealand's three waters infrastructure.
- A **review of the resource management system** was conducted by an independent panel chaired by Hon Tony Randerson QC, with the final report being delivered in July 2020. The Minister for the Environment is responsible for formulating the Government's response to the review.

4 Upcoming key decisions and issues

We would like to engage with you on a range of key decisions and critical issues before the end of 2020. These relate to legislative requirements, your manifesto priorities, and other priority issues. We will provide you with a list of these issues and proposed timeframes for engaging with you ahead of our first meeting.